

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4216-01  
Bill No.: SB 823  
Subject: Business and Commerce; Economic Development Dept.; Revenue Dept.;  
Taxation and Revenue - Sales and Use  
Type: Original  
Date: February 8, 2010

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Bill Summary: Would exempt utilities, machinery, and equipment used in data storage from state and local sales and use tax.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
General Revenue	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 9 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
School District Trust	(Unknown)	(Unknown)	(Unknown)
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
Parks, and Soil and Water	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

In response to similar proposals, officials from the **Office of the Secretary of State (SOS)** stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

ASSUMPTION (continued)

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume there would not be any additional costs or savings to their organization as a result of this proposal.

This proposal would provide a sales tax exemption for certain inputs of production used by data storage facilities. These firms fall under NAICS 518210 or 519130. Officials at DED report there were 377 MO firms in these NAICS codes in autumn of 2009. The proposal would reduce general and total state revenues and local revenues by an unknown amount. BAP notes that, according to Department of Revenue taxable sales data, roughly 0.33% of total taxable sales were made by the 488 firms in SIC Code 737, Computer and Data Processing. Assuming this figure serves as a rough estimate for the exempted inputs in the proposal, then sales tax revenues may fall by the same amount.

Revenue impacts (\$ millions) might be:

Fund	FY 2009 Sales Tax	Estimated Loss
General Revenue	\$1,883.70	\$6.22
School District Trust	\$728.40	\$2.40
Conservation Commission	\$96.60	\$0.32
Parks, and Soil and Water	\$77.30	\$0.26
	\$2,786.00	\$9.20

**Oversight** notes that this proposal may not limit the exemption to entities primarily identified in the selected economic activity codes, since entities primarily engaged and defined in other economic activity codes could likely claim the exemption for activities defined in the proposal. Also, entities in the defined codes would likely make purchases not subject to the proposed exemption.

ASSUMPTION (continued)

Officials from the **Department of Conservation** (MDC) assume this proposal would authorize a state and local sales and use tax exemption for data storage.

MDC officials stated that this proposal could have a significant negative fiscal impact on MDC funds which could exceed \$100,000 annually. However, MDC is unable to provide an exact amount and will rely on DOR for the fiscal impact of this legislation.

Officials from the **Department of Elementary and Secondary Education** assume this proposal would not impact their organization or local schools, other than any resulting impact from the reduction of state revenues.

Officials from the **Department of Natural Resources** (DNR) stated that this proposal, if enacted, would provide state and local sales and use tax exemptions for all utilities, machinery, and equipment, used or consumed in data storage.

The Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Any additional sales tax exemption would be an unknown loss to the Parks and Soils Sales Tax Funds. Adding exemptions from sales tax would also have a negative effect on total state revenue. Exempting sales tax for the purposes described in this proposal would decrease the amount of funding available in the Parks & Soils Sales Tax Funds for long term operation of state parks and historic sites and assistance to agricultural landowners through voluntary programs.

DNR officials provided an estimate of unknown revenue reductions for the General Revenue Fund and the Parks and Soils Sales Tax Fund.

Officials from the **Department of Revenue** (DOR) assume this proposal would create additional exemptions from sales taxes for all utilities, machinery, and equipment used in data storage.

DOR Collections and Tax Assistance would anticipate additional contacts due to this exemption, and estimated that one FTE Revenue Processing Technician I (Range 10, Step L) would be required for every additional 24,000 contacts annually to the registration section, and one FTE Revenue Processing Technician I (Range 10, Step L) would be required for every additional 4,800 contacts annually to the tax assistance offices.

ASSUMPTION (continued)

In summary, DOR officials submitted an estimate of the cost to implement this proposal including two additional employees with benefits, expense, and equipment totaling \$79,301 for FY 2011, \$84,162 for FY 2012, and \$86,689 for FY 2013.

**Oversight** assumes there would be a limited number of entities eligible for this sales and use tax exemption and that DOR could absorb the additional workload with existing resources. If this proposal created a significant unanticipated increase in the DOR workload, or if multiple such proposals were implemented, resources could be requested through the budget process.

Officials from **Cass County** assumes the potential fiscal impact of this proposal would range from \$0 to Unknown since the county general revenue fund is based solely on sales tax revenues.

Officials from **St. Louis County** assume the proposal would not result in a large revenue reduction for their organization.

Officials from the **City of Centralia** assume this proposal would have no fiscal impact on their organization.

Officials from the **City of Kansas City** assume this proposal would have a negative fiscal impact on their organization but stated that they do not have sufficient data to determine the level of impact.

Officials from the **Parkway School District** assume the proposal would have an unknown, but probably minimal impact on their organization.

**Oversight** will indicate an unknown loss to those state funds which receive sales and use tax revenues, and to local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction</u> - sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue reduction</u> - sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>CONSERVATION COMMISSION FUND</b>			
<u>Revenue reduction</u> - sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>PARKS, AND SOIL AND WATER FUNDS</b>			
<u>Revenue reduction</u> - sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
<b>LOCAL GOVERNMENTS</b>			
<u>Revenue reduction</u> - sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

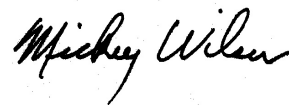
FISCAL DESCRIPTION

The proposed legislation would exempt utilities, machinery, and equipment used in data storage from state and local sales and use tax.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration  
Division of Budget and Planning  
Department of Conservation  
Department of Elementary and Secondary Education  
Department of Natural Resources  
Department of Revenue  
Cass County  
St. Louis County  
City of Centralia  
City of Kansas City  
Parkway School District



Mickey Wilson, CPA



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